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Group Life Insurance

Is there continuing pressure to write relatively large amounts of group life insurance on individual lives in small groups? How is the underwriting of these amounts being handled? Has the mortality experience been satisfactory?

MR. JOHN M. BRAGG reported that the Life Insurance Company of Georgia is subject to considerable pressure to write relatively large amounts of group life insurance for small groups of 10 or more employees where some custom tailoring of benefits is permitted. It is his Company's philosophy that any amount within the $20,000 to $40,000 limit may be permitted.

Where a large amount, such as $40,000, is to be issued to an individual in a small group, it is normally issued in two portions. The "basic" portion is an amount determined by the average size certificate and total volume for the group, and is issued without evidence of insurability. For any group for which the average life insurance rate is $1.00 per month per $1,000 or less, the basic amount is always at least $10,000.

The "excess" portion is issued subject to evidence of insurability. Excess amounts are issued to lives with mortality ratings up to 500%. Where a life is substandard, allowance for this is made in calculating the average life insurance premium rate for the group. All premiums and claims for excess amounts are placed in a special pool and not included in the group's experience for rerating purposes. Mortality experience in the excess pool has been satisfactory.

MR. IVAN R. TAYLOR reported that the London Life has a set of basic maximums defined by volume schedules. If a group selects a salary schedule which provides one year's salary for all employees, excess amounts of insurance above the basic maximum, up to a $50,000 total amount, are accepted, subject to medical underwriting. No substandard lives are accepted for excess insurance. Premiums for excess coverage are billed individually and placed in a pool for experience. The program has been offered now for about a year and one-half.

MR. HAROLD V. LYONS reported that the State Mutual rates up the age of a substandard life in order to determine the amount of extra premium to be collected for excess amounts of insurance.

MR. HERBERT F. CERWINSKE reported that the Prudential uses a three-stage program to provide high amounts of group life insurance. Amounts in excess of a basic limit can be offered without evidence of insurability, subject to a requirement that the employee must have been actively at work continuously during the three weeks before the plan is effective. Amounts above the maximum permitted under this provision are underwritten subject to evidence of insurability.

MR. JOSEPH W. MORAN reported that New York Life introduced a program a year ago under which groups of 25 lives or more can qualify for maximum amounts of insurance as high as $40,000 without evidence of insurability. The main requirement of this program is that the schedule of insurance be well balanced for employees at all salary levels. While it is unusual for a 25 life group to qualify for a $40,000 maximum, a number of cases which would have qualified for only $10,000 to $15,000 previously are now able to qualify for $30,000 or more. The maximum for any group depends on which of nine standard schedules is selected and on the payroll for the top 25 employees in the group. New York Life also uses a tight actively-at-work provision in its underwriting of high maximum amounts for small groups.

Mr. Moran also reported that New York Life's claims experience loss ratios in its small group program had been about 60% higher for groups in the 10 to 24 life category, where every life is insured without evidence of insurability, than for the groups of under 10 lives, where every life is required to submit a health statement.

MR. MORTON D. MILLER reported that an industry advisory committee to the National Association of Insurance Commissioners was making progress toward development of a new group life mortality table. Since the obvious intended use of the new table is for setting minimum premium rates, it has been necessary to consider the resulting premium rates in constructing the mortality table.

MR. JAMES F. COLEMAN pointed out that profit margins in group life premiums should be retained because they may be needed to cover possible deficiencies in premium rates for medical care coverage. He pointed out the importance of sound underwriting and keeping amounts of insurance low to maintain these margins.